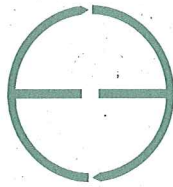


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California Council for Environmental and Economic Balance

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August 5, 2013

Mike Tollstrup
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Via email:

RE: 2013 Update to AB 32 Scoping Plan - Kickoff Workshop Presentation
6/13/13

Dear Mr. Tollstrup:

The California Council for Environmental and Economic Balance (CCEEB) is a non-partisan, non-profit coalition of business, labor and public leaders that advances strategies for a strong economy and a healthy environment. CCEEB appreciates the work the California Air Resources Board (ARB) has done moving forward with the Scoping Plan update and view this as an opportunity to fine tune AB 32 in order to achieve the most cost-effective emission reductions.

CCEEB believes this Scoping Plan update should:

- 1) Inventory current emissions with relation to the 1990 goal;
- 2) Evaluate the emission reductions and cost-effectiveness of adopted AB 32 measure;
- 3) Quantify the expected reductions from adopted programs;
- 4) Consider revisions to achieve the 1990 goal in the most cost-effective manner.

Additionally, CCEEB would appreciate the Scoping Plan update to include an easily read table to allow stakeholders to compare the environmental benefits and value of each adopted and proposed measure.

2008 Scoping Plan			2013 Revised Scoping Plan	
Measure	Projected GHG Reductions by 2020	Projected Cost Effectiveness	Revised Projected GHG Reductions by 2020	Projected Cost Effectiveness

2020 vs. 2050

AB 32 authorizes a 2020 goal, but creating a list of hypothetical measures for 2050 detracts from that goal and the ongoing implementation of very expensive measures.

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There is a lot of uncertainty about the existing, adopted AB 32 measures. Adding another list will create uncertainty which may dissuade investment in California and force business decisions that affect economic development in-state.

Additionally, this Scoping Plan should focus on the next 5-year period of AB 32 implementation and what is needed to ensure that California achieves the environmental goals of AB 32 in the most cost effective and technologically feasible manner possible. Should the ARB desire to pursue the planning exercise of GHG goals beyond 2020, it should be done in a separate document so as to not confuse a statutory goal of the Scoping Plan with an abstract that is several decades away.

Cost-Effectiveness

The Scoping Plan update should include a third party economic study that evaluates the cost-effectiveness of the current regulatory design. This should include an evaluation of all the individual measure adopted pursuant to AB 32 including Cap-and-Trade and RPS. ARB has recently indicated that California is close to achieving the statutory goal of reducing GHG emissions to 1990 levels set forth in AB 32. The Scoping Plan update should consider the whole of adopted measures based on cost-effectiveness and focus on improving the efficacy of those programs and reduce impacts on California's economy.

Offsets and Market-based Solutions

CCEEB believes that providing market incentives as opposed to regulatory or statutory barriers is the best way to encourage in-state participation without exponentially increasing the cost of compliance and harming the California economy. Enhancing in-state offsets to encourage offset project development in California can be achieved by exempting California offsets from the 8% limit and/or weighting CA offsets so that are worth more than a single ton. Both these tactics will incentivize the purchase of in-state offsets and provide the market signal needed for developers to take on the risk of offset development in California.

Offsets are a major part of cost-containment. The Scoping Plan should focus on cost-containment opportunities in order to prevent jobs leakage and emissions leakage from business migration caused by overly expensive compliance costs. ARB should consider expanding and enhancing the offset program in Cap-and-Trade in order to achieve more cost-effective GHG reductions and encourage participation or adoption of California's program design in other jurisdictions, thus achieving a more beneficial environmental impact for a global problem.

Short-Lived Climate Pollutants

Not all short-lived climate pollutants (SLCPs) are GHGs regulated under AB 32 – SLCPs include methane, black carbon (i.e. soot), tropospheric ozone, and some HFCs. Only two of these (methane and HFCs) are GHGs regulated under AB 32. Black carbon (which is part of diesel emissions) is not regulated under AB 32, so it would not be appropriate to address it in an update to the Scoping Plan unless it were included as a regulated GHG. However, black carbon does not have an established global warming potential that could be used to put it in the Scoping Plan, nor does the reporting regulation cover black carbon emissions, so a scientific and reporting infrastructure would first need to be established before black carbon could be included as a GHG under AB 32. Also, black carbon comes from sources much broader than diesel – primarily wood (and coal) burning and forest fires. Since diesel emissions are already highly regulated this section is not necessary, and could misdirect industry resources to mitigating the impacts of forest fires and

residential emissions like fireplaces and backyard barbeques. Moreover, if pursued, mitigation of diesel SLCPs should be borne by the transportation sector, not stationary sources.

Methane reduction policies implemented through projects such as biogas utilization are part of the Scoping Plan, however, there are existing policies that create barriers to additional and innovative methane reductions. The ARB and CalRecycle should work together to identify and recommend legislative language to remove these barriers and offset development that rely on methane avoidance. CCEEB prefers the carrot versus the stick and believes that creating in-state methane offset projects will create some jobs and have positive benefits to the California economy as opposed to direct regulation which would eliminate the possibility of offset development.

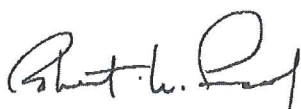
Concerns with criteria pollutants and air toxics are addressed in the laws and regulations already adopted to directly reduce those emissions. ARB has stated and emissions data supports its position that dramatic reductions in localized pollutants have and will continue to take place due to non AB 32 policies. The diesel rules for example have reduced black carbon by 85% from 1990 levels.¹ As these localized emissions are being reduced it is important for ARB to update the California Almanac of Emissions and Air Quality so that Californians can stay informed on annual reductions and the legislature has a reference for oversight of the numerous emission reduction programs focusing on localized pollutants.

ARB has ensured that GHG emissions will be reduced and in concurrence with other statutory requirements local emissions will not be impacted. Additionally, other statutory and regulatory requirements will help California reduce localized pollutants dramatically in the same time frame. Criteria pollutants and air toxics are heavily regulated in California at the federal, state, and local levels. In order to maintain the efficacy of AB 32, regulations and laws developed to enhance the reduction of GHGs to 1990 levels should remain focused on the six Kyoto gases and allow the existing statutory and regulatory programs that address other emissions to do their job.

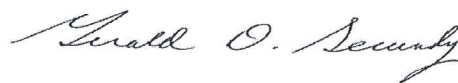
AB 32 implementation is still in a critical stage in regulatory development and ARB should give significant consideration to achieving the 2020 goals in a manner consistent with the statute, which clearly enumerates that the policy should, "achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions."

Thank you for considering our comments. If you wish to discuss this matter further, please contact Bob Lucas at 916-444-7337.

Sincerely,



Robert W. Lucas
Climate Change Project Manager



Gerald D. Secundy
President

¹ <http://www.arb.ca.gov/research/lectures/speakers/ramanathan/ramanathan.pdf>

cc: The Honorable Jerry Brown, Governor, State of California
Nancy McFadden, Executive Secretary to Governor Brown
Cliff Rechtschaffen, Senior Advisor to Governor Brown
Matthew Rodriguez, Secretary, California Environmental Protection Agency
Mary Nichols, Chair, Air Resources Board
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